

**New name.
New look.
New day.**

Northcentral Electric Cooperative™

Celebrating **70** Years

2020 Annual Report

BUSINESS AGENDA

Wednesday, October 28, 2020

2:00 pm

Northcentral Electric Cooperative Auditorium

1. Welcome and Call to Order Pat Woods, President
2. Invocation.....Kevin Doddridge, General Manager/CEO
3. Reading of Minutes of 2019 Annual Meeting Kevin Doddridge, CEO
(May be waived by appropriate action)
4. Report as to quorum being present Rita Hobbs
Chairperson, Elections and Credentials Committee
5. Report of the CEO Kevin Doddridge, CEO
6. Draw for door prizes
7. Reconvene for Election Committee Report.....Kevin Doddridge, CEO
8. The Election Committee Report Rita Hobbs
Chairperson, Elections and Credentials Committee
9. Adjourn



Kevin Doddridge
CEO/ General Manager

Northcentral Mississippi Electric Power Association celebrated its 70th birthday by undergoing a name change. In an effort to better exhibit who we are and identify our role in the community, Northcentral Mississippi Electric Power Association became Northcentral Electric Cooperative. We hope this change will reassure our consumer/members that we are indeed locally-owned, governed and operated.

Northcentral's reliability continues to rank as one of the nation's highest, while rates consistently remain in the lower 20%. This reliability was challenged this year as we experienced an early year tornado. We also continue to manage the effects of the remnants of hurricanes here, as well as storm damage on the Louisiana and Alabama gulf coasts.

Your electric cooperative has heard the voice of our members and responded to the needs of our community by addressing the need for high-speed internet via fiber to the home. This year our wholly-owned affiliate, Northcentral Connect, was formed to provide this service. As of now we are spending approximately \$45,000 a day in an attempt to provide this service to our 33,000 plus homes and businesses over the next 5-6 years. As the demand for this service heightened recently with the need for distance learning and working, we have determined this is one of the best ways your cooperative can add value to our community.

The conversion of high speed internet service from a need to a want was accelerated by the outbreak and lingering effects of the COVID-19 pandemic. The appearance of this virus drastically changed and slowed our operations at Northcentral. No member interaction or project was unaffected by this outbreak. Our goal from the very beginning, however, was to protect our consumer/member and employees.

Safety was a challenge during these times, but it will always be at the forefront of your cooperative's values. We at Northcentral remain committed to a culture of safety that pursues "Zero Incidents." In our culture everything matters whether in the office or the field. 100% of the rules, 100% of the people, 100% of the time.

As Northcentral Electric Cooperative, your electric cooperative, moves into 2021, we are excited at the new opportunities presented to provide those needed services and solutions that add value to the lives of our consumer/members and community.

Northcentral Mississippi Electric Cooperative
Balance Sheet
Fiscal Years ending June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Utility Plant		
Utility Plant in Service - At Cost	\$ 187,672,773	\$ 178,120,903
Less Accumulated Depreciation	<u>64,384,184</u>	<u>63,512,194</u>
Total Electric Plant - Net	<u>123,288,589</u>	<u>114,608,709</u>
Subscription and Long-term Capital Certificates and other investments	<u>719,152</u>	<u>730,137</u>
Current Assets		
Cash and Cash Equivalents	6,440,783	9,907,721
Accounts Receivable	8,135,895	8,431,687
Materials and Supplies	1,562,936	1,602,843
Prepayments	311,279	500,506
Other Current Assets	<u>916,593</u>	<u>1,202,237</u>
Total Current Assets	<u>17,367,486</u>	<u>21,644,994</u>
Deferred Charges		
Prepaid Pension	1,074,614	1,465,383
Notes Receivable - Customers	110,163	161,716
Unamortized Past Services - Retirement Costs	<u>16,392</u>	<u>48,312</u>
Total Deferred Charges	<u>1,201,169</u>	<u>1,675,411</u>
Total Assets	<u>\$ 142,576,396</u>	<u>\$ 138,659,251</u>
MEMBERSHIP EQUITY AND LIABILITIES		
Membership Equity		
Membership Certificates	\$ 1,342,753	\$ 1,307,135
Patronage Capital	<u>93,481,650</u>	<u>91,679,574</u>
Total Membership Equity	<u>94,824,403</u>	<u>92,986,709</u>
Non-Current Liabilities		
Long-term Debt, Net of Current Maturities	22,884,349	21,333,726
Paycheck Protection Program	1,960,507	-
Advance from TVA	<u>113,887</u>	<u>166,861</u>
Total Non-Current Liabilities	<u>24,958,743</u>	<u>21,500,587</u>
Current and Accrued Liabilities		
Current Maturities of Long-term Debt	1,438,343	1,322,011
Accounts Payable	15,217,004	17,179,183
Customer Deposits	4,990,009	4,681,008
Interest Accrued	159,871	145,168
Other Current Liabilities	<u>988,023</u>	<u>844,587</u>
Total Current Liabilities	<u>22,793,250</u>	<u>24,171,955</u>
Total Membership Equity and Liabilities	<u>\$ 142,576,396</u>	<u>\$ 138,659,251</u>

Northcentral Mississippi Electric Cooperative
Income Statement
Fiscal Years ending June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Electric Sales	\$ 103,229,312	\$ 103,386,638
Revenue from Late Payments	611,460	669,277
Miscellaneous Service Revenue	331,100	281,326
Rent from Electric Property	<u>169,304</u>	<u>165,368</u>
Total Operating Revenue	<u>104,341,176</u>	<u>104,502,609</u>
Operating Expense		
Purchased Power	80,440,870	82,972,599
Operations	3,677,424	2,738,213
Maintenance	4,809,984	3,026,753
Customer Accounts	1,679,234	1,713,165
Customer Service and Information	512,973	462,243
Sales	226,160	208,444
Administrative and General	3,873,061	3,469,099
Depreciation	<u>6,375,675</u>	<u>5,901,326</u>
Total Operating Expense	<u>101,595,081</u>	<u>100,491,842</u>
Operating Income Before Interest Expense	<u>2,746,095</u>	<u>4,010,767</u>
Interest Expense	<u>952,027</u>	<u>827,209</u>
Operating Income	<u>1,794,068</u>	<u>3,183,558</u>
Other Income (Expense)		
Interest and Other Income	181,374	276,154
Gain (Loss) on Sale of Plant	<u>(173,366)</u>	<u>(43,984)</u>
Net Other Income (Expense)	<u>8,008</u>	<u>232,170</u>
Excess of Revenues over Expenses	1,802,076	3,415,728
Patronage Capital-Beginning of Year	<u>91,679,574</u>	<u>88,263,846</u>
Patronage Capital-End of Year	<u>\$ 93,481,650</u>	<u>\$ 91,679,574</u>

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEC, as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
October 14, 2020

Executive Staff Report



J.D. Cox
Safety & Loss Control

2020 set out to challenge all of us on many fronts. The economy, education, social gathering and even communications saw changes that we never imagined. Electric service is essential, and the safety of our members, co-workers and the public became more important than ever. Northcentral took unprecedented safety measures to ensure that if our members needed us, we would be there.

Northcentral continues its pursuit of safety excellence with our Commitment to Zero Incidents program. The program highlights our Leadership, Commitment, Accountability and Training, along with the safety attitude of 100% of the rules, by 100% of the employees, for 100% of our members, 100% of the time! Because of your cooperative's leadership, commitment to safety and the efforts of my co-workers, Northcentral employees have worked 111,037 hours without a lost-time incident.

We remain committed to workforce development in our cooperative and in our community. Last year, Northcentral Electric Cooperative partnered with Northwest Mississippi Community College to develop a lineman training program. I am excited to report that the Utility Line Worker Program began with 14 students on October 21st. These students will be able to earn college credit and receive a degree; but more importantly, they will be trained in our community and set on a path to a great career.

This year, we congratulate Adam Conway, Zac Dias and Matt Sones for successfully completing the Electric Cooperatives of Mississippi Lineman Apprenticeship Program. The U.S. Department of Labor-approved program requires the completion of 18 workbooks and tests, along with 10,000 hours of on-the-job training.

Northcentral Electric Cooperative believes that every employee has the RIGHT to come to work and return home safely to their families. Employees working safely improves the safety for our members and the community. Please let us know if we can assist your organization or business in working safely!

Line construction is a constant at Northcentral, thanks to the continued growth that we enjoy in our area. New subdivisions, commercial projects and system improvements keep us occupied and require the help of two contractors to keep up with the growth.

Residential growth continues and had us installing underground and fiber conduit to 11 new or expanding subdivisions. We installed service to 658 new homes this year and 22 commercial properties, 6 of which are new hotels.

Plant maintenance and improvement is necessary to handle the area's growth and maintain the reliability that our members expect. We continue to reconductor lines and replace aged or damaged poles, devices and equipment. A new circuit was built out of our Payne Lane substation to serve areas in northern Olive Branch, and

and a new three-phase line was installed to serve industrial growth around Nail Road. Also, we moved the three-phase line closer to Highway 309 through the Coldwater bottoms. Additionally, our line workers have installed over 10,000 LED light upgrades to date.

Despite significant damage caused by the January tornado, we did not have to rely on help from our sister cooperatives for restoration. Northcentral personnel and contractors safely restored power to over 13,000 members in just over 3 days! We were able to provide storm restoration assistance to two sister co-ops this year by sending line workers to East Mississippi Electric Power Association in Meridian and Tallahatchie Valley Electric in Batesville.



Darin Farley
Construction

New subdivisions and commercial and industrial projects have kept our engineering personnel busy this year. Our department's work doesn't just stop with the design of new service though. Distribution infrastructure sometimes needs upgrades to serve the growing load. In addition, LED lighting upgrades, pole replacements, and even storm restoration have been ongoing. Utilization of our new electronic staking program has helped expedite the completion of the many jobs this year, while also being instrumental in the speed and safety of our restoration efforts after the January tornado.



Larry Johnson
Engineering & Operations

Northcentral's operations are diverse and specialized, and include right-of-way, warehousing, substation, system operations, metering and planning. Each of the areas are very important to the operations of Northcentral Electric Cooperative; both today and tomorrow.

We have continued with our plan to re-establish the clearance of vegetation from the electric lines with the goal of reducing blinks and outages, as well as to improve outage restoration times. System-wide right of way re-establishment is planned to take ten years to achieve. We are currently in year three, and the member's cooperation is very much appreciated as we work to improve reliability.

Last year, we upgraded two transformer banks at our Payne Lane substation, making this the largest capacity substation in our system. This was necessary to accommodate the load growth in the Olive Branch Industrial Park areas. The two older banks were relocated to other substations to provide additional capacity and/or redundancy. After over three years of planning, work has also begun in refurbishing the Byhalia substation. This project will ensure greater reliability and accommodate the continued growth we've seen in the area. This refurbishment is scheduled to be completed in fall of 2021. Also, the Tennessee Valley Authority (TVA) began planning for the addition of two new transmission lines in our service area. One will strengthen transmission to three of our substations, and the other will serve a new planned substation in the northwest corner of Olive Branch. Finally, a new TVA switching station is under construction, which will further improve reliability and capacity in the eastern part of our service area.

Our system operation area is vital to ensuring safety in the field by communicating with our construction crews and contractors as they perform their work. We are implementing an improved outage management system, planned to be complete by year end. The new system will have the ability to communicate outages and restorations to the member (if requested), while also providing real-time customer outage information to system operators, as well as an outage map for the public.

Northcentral Electric Cooperative began using automated meter reading (AMR) for electric meters in 2008. While the system's communication has continually improved over the years, the more than 20,000 meters were nearing the end of their useful life. Two years ago, we made the decision to replace all existing meters with upgrades that now include the benefit of one-bit pings and remote disconnects. In conjunction with the new outage management system, the new meters provide the benefits of fast and accurate outage identification and increased safety for first responders and restoration personnel. Meter replacements are expected to be completed near the end of the first quarter in 2021.

Planning is a continuous function in utility operations. We are constantly monitoring substation and system loading, while trying to plan for new substations, circuits, and system improvements to increase capacities, reliability and accommodate future growth in the area. Upcoming plans support the new northwest substation and include the circuits that will serve the immediate area around it when brought online in 2022. Some of this circuit work is already in process on Malone Road.



Mark Nichols
Finance & Administration

Northcentral's Finance & Administration Department includes Accounting, Customer Service, Facilities, Human Resources, and Information Technology. This dedicated group took this unprecedented time as an opportunity to make innovative adjustments to several of our processes and the way we conduct business, some of these we will continue to use as we move forward.

In an effort to protect the safety of our employees and our membership during the pandemic, Northcentral closed our office from March 16th to April 20th; and to assist the membership with financial difficulties we suspended disconnections for nonpayment until April 27th. Despite reduced work schedules and some quarantined employees, our customer service department worked with members to make payment arrangements that that minimized hardship but remained fiscally responsible to the cooperative with a commonsense approach.

We added another \$9 million in electric plant over the last fiscal year, bringing total plant to over \$187 million while only increasing debt by \$3.6 million. Northcentral had electric sales revenue surpassing \$100 million, of which more than \$80 million went directly to the Tennessee Valley Authority for the purchase of wholesale power. Maintenance expenses increased approximately \$1.8 million over the last year with our Engineering Department's efforts to improve the reliability of the electric system. After power cost and expenses, Northcentral showed a margin of \$1.8 million for the year.

Northcentral added 9 new hires over the last fiscal year, bringing us to a total of 99 employees. The technology area was a prime focus to support the demands of an advanced electric system, as well as our new fiber broadband affiliate, Northcentral Connect. With the growth in our workforce, operating expense increased by 15% this year.

We saw another year in which sales exceeded 1 billion kilowatt hours and membership grew by nearly 650 new members to a total membership of just under 33,000.

As mentioned, Northcentral launched a fiber broadband subsidiary called Northcentral Connect. We have spent a considerable amount time proactively planning the systems, processes, and equipment we will need to deliver the superior customer service and reliability that our members have come to expect. Northcentral Connect is positioned to start serving subscribers before the end of this calendar year. This has been a tremendous undertaking for all our employees, and we look forward to the challenges that 2021 will bring.

Even more so during these difficult times Northcentral continues to be proactive in seeking innovative solutions for our members, whether it is improving our approach to customer service or enhancing connectivity in our communities

Electric cooperatives have a long history of being catalysts for economic development. In partnership with TVA and our local and state development authorities, we were able to recruit over 1,300 new jobs and more than \$270 million in new capital investment in Northcentral's service area over the next five years. Working with existing industry, over 1,150 jobs will also be kept right here in our communities.

New projects by Nike, Synnex, IG Design Group, Zimmer Biomet and Amazon were announced this year. International farm equipment manufacturer, Krone located their North American headquarters in Olive Branch as well. Aluminum can manufacturer, Ardagh, is in the process of a major expansion. Manufacturers and distributors continue to evaluate Marshall and DeSoto

Counties as potential locations for their operations. In addition, the residential real estate market remains healthy, as we once again connected more newly constructed homes than the previous year.

In an effort to stay in tune with our membership, we conducted a member satisfaction study earlier this year. I am happy to report that 70% of respondents gave us high marks in their overall satisfaction, with over 92% giving positive ratings for our reliability and responsiveness in outage restoration. Over 72% of respondents saw good value in our electric rates. We continue to score well with our American Customer Service Index at 8.8 out of 10 points. The study brought to light some areas where we can improve, and your co-op is committed to close those gaps even further.

Northcentral continues to invest in our future leaders through volunteerism and involvement in our area schools. Eight graduating seniors in our service area were honored this year with college scholarships. Early this year we were able to include fifteen area high school juniors in our Youth Leadership Program. These remarkable students spent three days in late February at our leadership workshop in Jackson. Shortly after their return, the school year was interrupted. Sadly, travel restrictions cancelled this summer's annual Youth Tour trip to Washington, D.C. We remain hopeful that this program can safely resume in 2021 as we evaluate conditions.

As a member-owned utility, one of our core cooperative principles is "Concern for Community." I would argue that never in our history has this principle been so important. In response to the pandemic, we had the opportunity to participate in the COVID-19 Community Care Fund matching grant program offered by TVA. Northcentral and TVA contributed a total of \$30,000 to the fund with the intent of addressing food insecurity, education and technology needs, and emergency aid in our communities. The Community Foundation of Northwest Mississippi helped raise and deploy even more funds. We are grateful for additional matching funds provided by The Maddox Foundation, The Walton Family Foundation, the FEED Fund and Team Waste.

Perhaps the biggest undertakings this year were the name change and rebranding of Northcentral Electric Cooperative and the launch of our affiliate, Northcentral Connect. Marketing efforts are underway as we begin pre-registration and service enrollment for our fiber-to-the-home internet project. Be on the lookout for our ads and mailers as service becomes available in your locations. If you haven't already, please visit northcentralconnect.com to pre-register your interest in service. There is no cost in doing so, and it helps guide our decisions as we move forward with future phases!



Michael Bellipanni
Marketing & Business Development

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